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MONTHLY PROJECTIONS
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JAPANESE INVESTORS BEGINNING TO INFLUENCE AMERICAN ECONOMY

It was bound to happen. Through much of October investors were becoming increasingly concerned that a burgeoning supply of government financing would be met by inattention from Japanese investors. As a result, many portfolio manager decided not to purchase bonds. The result was a significant increase in long-term interest rates on treasury issues. Other long-term rates rebounded much less significantly, with virtually no rebound being recorded in mortgage instruments.

Reasons for expected Japanese wariness about investing in the United States included concern that the yen would continue rising, leading to lack of attractiveness for dollar-based assets. Also, the Japanese investor was having attention diverted by the Hirohito commemorative coin and by gold speculation. The coin itself apparently exhausted 200 tons of gold, but Japanese speculators increased their holdings by nearly three times that amount. This dramatic increase in gold purchases not only increased the price of the metal, but also raised prospects that funds would not be available for investing in American securities.

While Congress was waiting to approve an increase in the debt ceiling, thereby permitting further issuance of treasury debt, the Japanese investor began paying for gold holdings by reducing stock purchases in Japan. Soon, a decline in values of Japanese securities led to fund withdrawals by European investors. As a result, the Japanese stock market declined sharply value during in the middle of October. Furthermore, as foreigners began withdrawing from Japanese securities, the yen's value began to weaken against the dollar. Now, Japanese investors will be actively interested in the U.S. quarterly funding. As a result, bond prices in the United States have firmed despite a dramatic increase in government supply.

Because inflation has modestly accelerated as a result of a firming of oil prices and because the U.S. economy will be increasing inventory investments to replace the inventory utilized in selling 16.1 million automobiles at annual rates in September, the government's supply of borrowings may still coincide with increasing private demand for funds. Therefore, a modest further increase

in long-term interest rates may develop as the quarterly funding commences. However, with renewed eagerness by Japanese investors, the quarterly funding should be successfully placed and interest rates should begin declining significantly following that event.

The above contortions indicate that foreign investors and their investing behavior more dramatically influence activity in American markets than in previous business cycles. A change in the investment climate in Japan now materially influences interest rates in the United States.

On the surface, the GNP release of third quarter economic activity would be indicative of significant economic strength ahead. Final demand after inflation increased 4.6%. As overall economic activity expanded only 2.4%, significant inventory liquidations occurred during the quarter. Now that inventories are at relatively low levels, many automobile dealers have less than a thirty-day supply of product, production normally should surge to rebuild the warehouse holdings to support higher sales levels. Unfortunately, a spurt in sales was heavily concentrated in consumer spending, which expanded 7% after inflation adjustment. This spurt caused the savings rate to fall below 3% for the quarter and below 2% for September. In effect, consumers felt that automobile incentives were too good to ignore and sharply depleted their savings in an effort to purchase their desired automobiles with unusually low financing charges. Now that the incentives are over, consumer sales will slow sharply, probably contributing nothing to economic growth during the fourth quarter. Therefore, inventories can be replenished with only minor increases in production because sales will fall significantly. While business fixed investment may expand $3 billion during the fourth quarter, and the trade balances also should improve by $3-$5 billion, final sales probably will grow less than 1%.

Surprisingly, the price data that was made available for September indicates that consumers were incorrect in responding to the financing incentives. While financing definitely was a bargain, the automobiles were not. According to the PPI, end-of-year incentives were only 4%. This is nearly a percentage point less than normal year-end incentives provided. The CPI also indicated that prices of new cars rose after seasonal adjustment in September, although auto financing fell by 6.1%. In other words, the financing incentives were largely paid by failing to discount automobiles at the end of their model year. If the price statistics are correct (our surveys suggest that they probably understated the magnitude of incentives but not by a dramatic amount) then the surge in automobile sales to 16.1 million units during September will not fit easily into anyone's econometric models for automobile behavior.

The outlook for 1987 depends upon the magnitude of improvement generated in U.S. trade accounts. Some forecasters are suggesting that real exports will grow at double digit rates throughout the year. Several factors suggest that real exports will grow more rapidly than previously. The dollar's decline clearly has improved American competitiveness, although the recent rally of the dollar against other currencies may blunt the magnitude of competitive gains. Also, the five-year farm bill provided price signals that indicated American products would continue to fall in price through the 1986 harvest year. Therefore, traditional purchasers of American agricultural products abandoned their normal buying patterns in the spring and summer to await lower prices of American goods in the fall. Now that the fall has arrived and many of those price supports have been abandoned, a significant rebound in agricultural sales should materialize. Nevertheless, world GNP probably will be growing only

slightly more than 3% and world trade probably will not be expanding in excess of 4%. Therefore, a sharp rebound in exports from the United States would require American displacement of foreign producers in foreign markets. Normally, such displacement can occur when growth rates are above normal, but are extremely hard to achieve when growth rates are falling below normal. Therefore, export growth probably will only expand in the vicinity of 6%.

It must also be recognized that during much of 1986, oil importers into the United States reduced their purchases in anticipation of further price weakness. Now that oil prices appear to be stabilizing through the heating season, purchases will begin to increase. In addition, the August trade figures occurred with oil being delivered at $11.77 per barrel. Imported oil prices probably are close to $15 per barrel at the present time. As a result, the volume and value of imports will not be falling as sharply as many analysts anticipate. The improvement on the current accounts should be less than $20 billion and the contribution to real GNP will only be about 1%.

Of course, an improvement in the trade accounts is a dramatic reversal from the decline in trade that subtracted nearly 1.5% from GNP in 1986. However, construction will fall sharply in 1987 as that industry seeks to lower vacancy rates for their product because of changing tax benefits for constructing such product. Construction, whose growth added one percentage point to GNP in 1986 may be removing nearly 1 percentage point from GNP in 1987. In addition, savings rates almost certainly will rise in 1987 from 1986 averages. This would suggest that consumer spending probably will contribute about a percentage point less to GNP expansion than in 1986. Other fixed investment also will stagnate, although the sharp decline in oil and gas exploration that deeply depressed the nonresidential component of fixed investment in 1986 should not be a significant factor in 1987. When all the plusses and minuses are put together, it appears that economic activity in 1987 will be growing at a slightly slower rate than in 1986.

Of course, the latest flurry in the dollar's strength against other currencies will forestall any significant resurgence of inflationary pressures. Wage costs are growing slightly less in 1987 than in 1986 while productivity gains probably will be comparable during the two years. On the other hand, the absence of further declines in oil prices will remove a factor that caused inflation to slow by 1.6 percentage points in 1986. In addition, the dollar's decline in value will be contributing more to imported inflation than occurred in 1986. When all these factors are put together, the inflation rate in 1987 appears to be in the vicinity of 3.5%.

Quarterly Profile of GNP

	1986-3	1986-4	1987-1	1987-2	1987-3	1986 Annual	1987 Annual
Real:	2.4	2.8	1.9	1.0	1.3	2.6	1.8
Price:	3.6	3.4	3.4	3.7	4.1	2.7	3.5
Nominal:	5.7	6.4	5.3	4.8	5.5	5.4	5.4

Monthly Statistical Highlights for October 1986

Payroll employment +120,000; index of hours worked +0.1%; household employment +103,000; civilian unemployment rate 7.1%; personal income +0.4%; savings rate 3.6%; personal consumption -1.4%; retail sales -4.7%; auto sales 10.2 million; housing starts 1.0%; housing permits -1.1%; construction expenditures -0.4%; business inventory +0.1%; orders for durable goods -2.3%; orders for nondefense capital goods -4.2%; industrial production +0.3%; CPI +0.3%; PPI +0.1%; consumption deflator +0.3%; leading indicators +0.3%; real GNP +0.7%; M1 +17.7%; M2 +8.7%.

Monthly Statistical Highlights For November 1986

Payroll employment +215,000; index of hours worked +0.2%; household employment +291,000; civilian unemployment rate 7.0%; personal income +0.4%; savings rate 4.1%; personal consumption -0.3%; retail sales -1.7%; auto sales 9.3 million; housing starts -1.6%; housing permits -3.1%; construction expenditures -0.4%; business inventory +0.5%; orders for durable goods -0.6%; orders for nondefense capital goods -1.2%; industrial production +0.1%; CPI +0.4%; PPI +0.4%; consumption deflator +0.3%; leading indicators +0.1%; real GNP 3.0%; M1 6.9%; M2 6.9%.

COMMENTARY

Employment - Initial unemployment claims continue to fluctuate near 370,000. The insured unemployment rate has fallen to 2.8% which is consistent with unemployment between 7.0% and 7.1%.

Personal Income and Outlays - Property income fell more than $3 billion in September as interest rates continued to recede. More modest declines in interest income are expected in the next few months, although property income will continue falling. Farm income rose in September and should rise slightly further in the fourth quarter as a result of firming livestock prices. Strong gains are continuing in nonfarm proprietor's income, suggesting that small business earnings are relatively robust. Nevertheless, income other than wages probably will be growing only between $4-$5 billion per month until the first of next year.

As expected, consumer spending surged in September with automobile units selling at 16.1 million. Automobile sales during the first twenty days of October were selling at slightly more than a 10 million rate, indicating a sharp collapse in consumption spending. The collapse will be even more dramatic in retail sales, where a record plunge of 4.7% is anticipated for October. Excluding automobiles, sales were relatively weak in September, but it is not unusual for strength in automobiles to detract from spending in other sectors. Thus, nondurables should rebound in October. The strength of nonauto durables appears to reflect earlier housing starts activity. As housing starts now are beginning to trend downward, a slowing in nonauto durables should become apparent. However, sales tax deductibility, which is only available until the end of this year, may keep durables other than automobiles at a high clip until early next year. Activity then should fall during the first quarter.

Were consumers fooled in the incentives during September or did the BLS incorrectly measure the price changes for automobiles and for auto financing?

Probably, a little of both occurred. Our samples show that pricing incentives for September were 7%, not the 4% contained in the BLS PPI report. On the other hand, consumers failed to recognize that much of the deep financing discounting was coming at the expense of dealer incentive programs at the end of a model year. It is apparent that a $1000 reduction in financing charges will stimulate more automobile selling than a $1000 reduction in the base price of the automobile. This apparent lack of transitivity in consumer spending patterns may be related to the failure of consumers to fully recognize a price discount. Dealer "bargaining" provides informational problems in evaluating the true cost of an automobile. On the other hand, most customers can recognize that an interest rate charge is significantly lower than charges that would have to be paid elsewhere. This suggests that periodic financing incentives will be used by the automobile industry to remove excess inventories. As a result, bankers will lose a significant portion of business, although they still will be able to finance used cars.

Construction - Some of the September weakness in housing starts may be the result of weather. Single family permits increased slightly in September although single family starts fell sharply. On the other hand, the sharp decline in multiple family starts and permits to nearly 550,000 probably reflects the beginning of construction decay in that sector. We expect that multi-family starts will fall below 500,000 in 1987. It is also clear, however, that single family starts will be growing at a reduced rate now that real disposable income will be growing more slowly in 1987 than in 1986. Most of the weakness is expected to occur in the south, where starts exceeded permits by nearly 100,000 in September. By contrast, activity should rise slightly in the northeast and the west.

Business Activity - Some of the September strength in durable goods is misleading, as it shows both a bunched order for commercial aircraft and significant shipments of automobiles. Chrysler ran out of 1986 model cars and hurried shipments of 1987 cars to the dealers. This created an unseasonal rate of delivery, which is also counted as an order in the manufacturing report. Therefore, durable goods should fall significantly in October. Nevertheless, the 4.9% surge in durable goods orders was relatively widespread and suggests that more substantial gains will occur in capital goods spending than had previously been anticipated. Indeed, capital goods may increase slightly in 1987.

Business inventories were unchanged in August as automobile inventories began to be liquidated. They should fall sharply at the wholesale and retail level in September. Inventories will only marginally increase in October but then should rise sharply for the remainder of the quarter.

Industrial production in September increased 0.3% for consumer goods as automobile assemblies were at 7.7 million units. Assemblies probably will rise to slightly more than 8 million units in the next few months to rebuild auto inventories. Plant and equipment activity increased 0.3% while materials activity also expanded by a similar amount. The overall index only rose 0.1% as mining continued to subtract from activity. Now that rig counts are beginning to rise, mining should stabilize. As a result, the 0.3% growth currently developing in other sectors should be reflected in changes of the entire index until the end of the year. Some inventory inbalances are expected to develop early in 1987 that will require production curtailments. Thus, industrial production is not expected to show significant growth in 1987.

Prices - Automobile prices fell less than anticipated in September, but this will merely mean that they will grow less than expected in October. The overall inflation outlook is not significantly changed. The Consumer Price Index may grow a bit more rapidly than previously anticipated as a result of more substantial gains in rent than previously projected. These gains are associated with the impact that tax reform will have upon rental property construction. The dollar's current surge against several currencies, while expected to be short-lived, will moderate any inflationary pressures that otherwise will appear on internationally traded commodities. Therefore, the Producers Price Index probably will be growing at a slower rate than previously anticipated well into 1987.

Miscellaneous - Although trade balances improved significantly, much of this gain was the result of a decline in auto deliveries. In addition, the United States continued to trans-ship gold to Japan which continued to increase exports in August but had no impact on imports because the gold already had been received in the United States in earlier months. Oil prices are expected to rise during the fall, leading to increases in the value of imports. Nevertheless, the declining dollar should gradually cause a decrease in merchandise trade balances.

Financial Markets

As mentioned above, concern about increased borrowing by the Federal government has led to a significant increase in long-term interest rates. The Federal Reserve has decided to continue accommodating short-term credit market pressures. These pressures have intensified, leading to a re-acceleration of money growth. More significantly, currency growth has re-accelerated to more than an 8% path, suggesting that the transaction's demand for money has increased. This probably is related to the increase in oil prices and the inventory rebuilding required now that consumers have responded to auto incentives. While interest rates could remain high during the fourth quarter, inventory liquidations once again may reappear early in 1987. More substantially, a slide in construction activity will put significant downward pressures upon rates, at least during the first half the year. If inflation firms later in the year, as anticipated, both short- and long-term interest rates could then increase. However, weakness early in 1987 could be sufficiently troublesome to encourage the Federal Reserve to lower the discount rate.

Equity Markets - According to our analysis, real earnings are growing modestly at the present time. The increase in long-term interest rates should, therefore, exert downward pressures upon equity values. To some extent, these downward pressures have not been intense because foreign investors continue to be attracted to American financial assets. However, tax reform changes will still cause significant tax selling to lock in capital gains before the end of 1986. As interest rates will be trending downward at the end of this year according to our analysis, the degree of decline in equity values should not be substantial. When interest rates fall further early in 1987, the stock market could spurt to new highs by the spring. Later in the year, improved earnings prospects will compete with gradually rising interest rates. Nevertheless, increasing earnings prospects will probably be more dominant, leading to a Dow Jones in excess of 2100 by the fall.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	99783	99783	117.8	117.8	108892	108892	7.1	7.1	168.4	168.4
May	99908	99918	117.7	117.7	109110	109110	7.3	7.3	168.6	168.7
June	99819	99843	117.5	117.3	109673	109673	7.1	7.1	169.4	169.2
July	100223	100105	118.0	117.9	109889	109882	6.9	6.9	169.8	168.9
August	100464	100261	118.3	118.4	110016	110155	6.9	6.8	170.1	169.2
September	100705	100368	118.6	118.4	110221	109891	7.0	7.0	170.3	169.7
October	100826	100488*	118.7	118.5*	110367	109994*	7.0	7.1*	170.8	170.2*
November	100878	100703	118.8	118.8	110456	110285	7.1	7.0	171.3	170.7
December	100963	100882	118.8	119.0	110578	110495	7.1	7.0	171.7	171.1
January 1987	101138	101026	119.0	119.1	110794	110668	7.1	7.0	172.2	171.6
February	101360	101305	119.3	119.4	111053	110973	7.0	6.9	172.6	172.0
March	101585	101468	119.5	119.6	111387	111190	7.0	6.9	173.0	172.4
April	101716	101617	119.7	119.8	111453	111320	7.0	6.9	173.5	172.8
May	101829	101802	119.8	120.0	111548	111548	7.0	6.9	173.9	173.2
June	101960	101993	119.8	120.2	111642	111777	7.0	6.8	174.4	173.6
July	102128	102117	120.0	120.3	111863	111923	7.1	6.8	174.9	174.1
August	102310	102304	120.3	120.5	112016	112166	7.0	6.8	175.4	174.7
September	102492	102486	120.5	120.7	112241	112399	7.0	6.8	176.0	175.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	3.485	3.487	2.053	2.055	182.4	183.3	2.987	2.986	2.805	2.803
May	3.476	3.481	2.056	2.058	151.6	152.3	2.976	2.977	2.824	2.825
June	3.479	3.482	2.063	2.063	133.2	123.7	2.975	2.972	2.842	2.848
July	3.498	3.493	2.075	2.072	139.2	110.9	2.986	2.979	2.847	2.868
August	3.516	3.500	2.083	2.083	137.8	95.0	2.998	2.981	2.860	2.886
September	3.534	3.512	2.092	2.090	135.5	56.6	3.011	2.988	2.876	2.932
October	3.547	3.527*	2.100	2.100*	136.1	107.4*	3.024	3.000*	2.888	2.893*
November	3.567	3.541	2.108	2.113	131.1	124.3	3.038	3.010	2.907	2.886
December	3.587	3.563	2.116	2.123	127.3	124.8	3.054	3.029	2.928	2.904
January 1987	3.598	3.576	2.126	2.132	154.2	148.4	3.098	3.063	2.944	2.915
February	3.624	3.597	2.138	2.144	172.5	144.5	3.123	3.087	2.951	2.943
March	3.650	3.614	2.150	2.154	188.4	139.2	3.147	3.102	2.959	2.963
April	3.660	3.634	2.158	2.165	176.2	142.3	3.154	3.119	2.978	2.977
May	3.669	3.648	2.167	2.173	165.2	138.4	3.163	3.130	2.998	2.992
June	3.679	3.664	2.176	2.184	153.9	135.7	3.170	3.144	3.017	3.008
July	3.696	3.682	2.186	2.193	150.5	134.7	3.182	3.159	3.032	3.024
August	3.713	3.702	2.197	2.207	149.3	137.4	3.193	3.176	3.044	3.039
September	3.730	3.718	2.208	2.218	149.6	134.7	3.204	3.189	3.055	3.054

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2712.0	2710.5	369.7	368.5	920.4	922.1	1421.9	1419.9	2396.1	2396.1
May	2731.0	2731.7	378.9	379.0	925.6	926.6	1426.5	1426.1	2407.6	2410.3
June	2747.3	2753.8	375.4	374.2	931.9	936.4	1439.9	1443.3	2417.3	2418.9
July	2751.8	2772.7	373.8	381.1	927.3	932.8	1450.7	1448.9	2416.0	2433.3
August	2764.4	2790.2	379.6	402.4	927.5	937.2	1457.3	1450.6	2420.7	2443.2
September	2779.1	2834.9	383.3	437.1	932.8	936.5	1463.0	1461.3	2425.0	2474.6*
October	2790.3	2795.2*	379.8	385.2*	937.7	940.6*	1472.8	1469.4*	2426.3	2430.6
November	2808.2	2787.7	381.6	367.4	943.1	942.3	1483.5	1478.0	2433.4	2416.3
December	2828.0	2805.5	384.3	370.2	948.5	945.4	1495.2	1489.9	2442.1	2424.3
January 1987	2843.3	2815.1	388.4	367.0	952.5	949.1	1502.4	1499.0	2449.0	2424.8
February	2849.3	2842.3	384.7	382.0	957.9	953.0	1506.7	1507.3	2447.9	2443.0
March	2857.4	2861.8	383.7	388.3	959.1	956.8	1514.6	1516.7	2446.4	2453.6
April	2875.1	2874.9	385.9	390.4	964.3	960.1	1524.9	1524.4	2453.2	2457.8
May	2894.3	2889.0	388.6	392.4	969.8	963.3	1535.9	1533.3	2461.1	2460.9
June	2912.8	2905.0	392.2	393.9	973.8	967.5	1546.8	1543.6	2468.5	2466.0
July	2926.3	2920.3	393.7	396.1	977.4	970.7	1555.2	1553.5	2471.5	2469.9
August	2937.7	2933.9	391.6	394.3	981.1	975.7	1565.0	1563.9	2472.8	2472.1
September	2947.9	2948.9	388.9	395.3	983.9	980.0	1575.1	1573.6	2473.1	2475.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	117.72	117.72	18.52	18.52	11.0	11.0	72.84	72.84	26.36	26.36
May	118.52	118.68	18.38	18.39	11.3	11.3	73.19	73.12	26.95	27.16
June	118.70	118.96	18.25	18.50	11.0	11.1	73.30	73.36	27.16	27.10
July	118.61	119.80	18.28	18.88	10.9	10.7	73.39	73.49	26.94	27.43
August	119.33	121.57	18.40	19.13	11.2	12.7	73.41	73.88	27.52	28.57
September	119.85	127.18	18.65	19.22	11.1	16.1	73.83	73.83	27.37	34.13
October	119.81	121.18*	18.86	19.30*	10.8	10.2*	74.21	74.16*	26.74	27.72*
November	120.46	119.13	18.89	19.42	10.9	9.3	74.64	74.29	26.93	25.42
December	121.21	119.72	19.03	19.50	11.0	9.5	75.07	74.53	27.11	25.69
January 1987	122.01	119.62	19.14	19.36	11.2	9.3	75.38	74.82	27.49	25.44
February	122.00	121.53	18.93	19.27	11.0	10.0	75.81	75.13	27.26	27.36
March	121.98	123.32	19.14	19.33	10.8	10.4	75.91	75.43	26.93	28.06
April	122.65	123.34	19.17	19.40	10.9	10.5	76.32	75.69	27.16	28.25
May	123.41	123.84	19.31	19.46	11.0	10.6	76.75	75.94	27.35	28.44
June	123.96	124.35	19.36	19.55	11.1	10.7	77.07	76.27	27.53	28.53
July	124.43	124.88	19.46	19.63	11.1	10.8	77.36	76.53	27.61	28.72
August	124.47	125.05	19.26	19.62	11.0	10.8	77.65	76.92	27.56	28.51
September	124.56	125.51	19.21	19.68	10.9	10.7	77.87	77.26	27.48	28.57

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2.019	2.019	1.242	1.242	1.885	1.885	371.6	373.9	331.8	334.0
May	1.861	1.853	1.247	1.241	1.788	1.788	374.7	374.5	331.6	332.0
June	1.845	1.852	1.223	1.230	1.745	1.792	372.9	375.4	328.3	332.6
July	1.840	1.782	1.215	1.137	1.724	1.759	369.2	378.1	324.4	335.2
August	1.855	1.818	1.259	1.199	1.736	1.673	368.6	382.2	323.3	338.1
September	1.858	1.680	1.270	1.116	1.721	1.613	369.8	382.8	323.8	338.2*
October	1.826	1.697*	1.242	1.154*	1.673	1.595*	367.3	381.4*	320.8	336.3
November	1.815	1.669	1.212	1.136	1.656	1.546	366.5	379.8	319.3	334.0
December	1.804	1.610	1.209	1.088	1.651	1.483	365.7	376.9	317.7	330.6
January 1987	1.793	1.563	1.205	1.067	1.583	1.428	365.0	374.4	316.0	327.8
February	1.770	1.586	1.201	1.093	1.581	1.443	365.3	370.7	315.5	324.0
March	1.746	1.590	1.197	1.108	1.552	1.461	365.3	367.6	314.6	320.8
April	1.725	1.642	1.178	1.136	1.536	1.517	364.9	366.3	313.5	318.8
May	1.740	1.629	1.185	1.108	1.541	1.522	364.3	367.8	312.2	319.5
June	1.701	1.587	1.170	1.074	1.557	1.484	363.8	368.7	310.7	319.5
July	1.695	1.609	1.163	1.103	1.563	1.468	364.6	368.9	310.0	319.1
August	1.704	1.645	1.152	1.118	1.560	1.502	365.5	369.5	309.7	319.1
September	1.700	1.667	1.141	1.143	1.546	1.526	366.9	371.7	309.9	320.2

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	133.4	132.8	70.5	70.6	167.8	170.5
May	130.5	130.1	74.4	71.9	169.2	172.5
June	130.7	130.1	73.7	70.8	168.5	174.5
July	126.4	129.8	71.6	72.5	171.2	175.9
August	125.6	131.9	69.9	73.6	173.1	176.7
September	124.9	132.2	69.6	73.5	175.0	177.1*
October	124.2	131.7*	70.0	73.7*	173.1	176.0
November	124.0	131.6	70.7	74.0	171.8	174.2
December	123.8	130.5	71.4	73.8	170.5	172.6
January 1987	123.8	129.3	71.0	73.5	170.2	171.6
February	124.1	129.0	71.3	73.9	169.9	167.8
March	124.1	127.8	71.6	74.0	169.6	165.8
April	124.3	125.9	71.8	74.3	168.8	166.1
May	124.4	125.2	72.1	74.6	167.8	168.0
June	124.5	125.0	72.4	74.9	166.9	168.8
July	125.0	125.1	72.9	75.3	166.7	168.5
August	125.7	125.3	73.3	75.5	166.5	168.7
September	126.5	125.6	73.6	75.8	166.8	170.3

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	279.4	279.4	103.75	103.75	26.18	26.18	27.36	27.36
May	278.4	278.4	102.62	102.62	26.15	26.15	26.58	26.58
June	278.3	278.4	104.77	102.73	26.74	26.42	27.22	27.24
July	278.5	278.6	106.69	106.22	27.16	27.39	27.25	27.42
August	279.0	278.1	105.36	103.85	27.42	26.33	27.34	27.28
September	279.5	277.8	107.52	108.99	27.36	28.63	27.43	27.22
October	280.3	278.0*	107.73	106.53*	27.48	27.43*	27.47	27.36*
November	281.2	278.8	106.96	105.94	27.35	27.11	27.51	27.43
December	282.3	279.6	106.71	106.29	27.26	27.35	27.55	27.50
January 1987	283.5	280.3	107.22	105.46	27.32	27.06	27.50	27.46
February	284.5	281.1	107.89	105.11	27.46	26.93	27.55	27.39
March	285.9	282.0	107.56	104.73	27.43	26.85	27.57	27.36
April	287.1	282.7	107.35	105.18	27.29	27.08	27.53	27.40
May	288.2	283.5	108.41	105.43	27.58	27.17	27.56	27.43
June	289.3	284.3	107.92	105.96	27.53	27.35	27.60	27.54
July	290.8	285.1	107.18	105.58	27.42	27.30	27.67	27.56
August	291.7	286.0	105.93	106.74	27.17	27.84	27.64	27.63
September	293.2	286.8	105.81	106.26	27.12	27.56	27.61	27.69

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	588.6	588.6	7.33	7.33	125.2	124.7	79.4	79.5
May	586.6	586.7	7.49	7.49	124.7	124.2	78.9	79.1
June	585.5	588.9	7.83	7.96	124.1	124.2	78.3	79.0
July	586.2	591.9	7.83	8.08	124.3	124.9	78.3	79.3
August	587.0	591.9	7.85	7.64	124.4	125.1	78.2	79.2
September	587.7	589.4*	7.60	7.67	124.5	125.3	78.1	79.2
October	589.3	590.1	7.89	7.81*	124.8	125.7*	78.1	79.3*
November	591.4	593.0	8.04	7.92	125.1	125.9	78.1	79.3
December	593.7	595.7	8.15	8.06	125.4	126.0	78.2	79.2
January 1987	596.8	598.3	8.20	8.01	125.7	126.0	78.2	79.0
February	599.2	600.9	8.10	8.15	125.9	125.8	78.2	78.6
March	601.3	602.1	8.22	8.20	126.1	125.8	78.1	78.4
April	603.4	603.4	8.28	8.27	125.9	126.0	77.9	78.4
May	606.2	604.5	8.33	8.32	125.7	125.9	77.6	78.1
June	609.3	606.2	8.39	8.35	125.4	126.1	77.3	78.1
July	611.8	607.9	8.47	8.44	124.8	126.0	76.8	77.8
August	614.7	610.2	8.55	8.60	124.5	126.1	76.6	77.7
September	617.4	612.8	8.63	8.53	124.2	126.2	76.4	77.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	325.4	325.4	286.8	286.8	311.3	311.6	113.5	113.7
May	326.0	326.0	288.6	288.6	311.7	311.7	113.8	114.2
June	327.6	327.5	288.5	288.5	311.6	311.6	114.9	114.4
July	327.6	327.6	287.4	287.3	309.2	308.5	114.7	114.7
August	328.3	328.2	288.6	288.3	310.0	307.7	114.9	114.9
September	329.6	329.2	289.5	289.5	308.1	308.8	115.2	115.3
October	330.5	330.5*	290.2	289.8*	310.6	309.7*	115.5	115.7*
November	331.3	331.9	290.9	290.9	310.9	310.5	115.8	116.1
December	332.2	332.8	291.5	291.5	311.3	311.2	116.2	116.4
January 1987	333.3	334.0	292.3	292.7	311.9	311.9	116.5	116.8
February	334.3	334.6	293.1	293.0	312.6	312.0	116.8	117.0
March	335.4	335.5	294.0	293.6	313.3	312.5	117.2	117.3
April	336.5	336.6	295.0	294.2	313.9	313.4	117.6	117.7
May	337.9	337.7	296.2	294.8	314.4	314.2	118.0	118.1
June	339.0	338.9	297.3	296.0	314.9	314.9	118.4	118.5
July	340.0	340.1	298.1	297.1	315.3	315.4	118.8	118.9
August	341.1	341.5	298.8	298.4	316.0	315.9	119.1	119.3
September	342.0	342.7	299.6	299.4	314.6	314.8	119.4	119.7

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	113.2	113.1	104.4	104.4	105.6	105.5	121.5	121.4	112.0	112.0
May	113.4	113.3	104.9	104.8	105.8	105.8	121.7	121.6	113.0	112.8
June	113.7	113.8	105.1	104.9	106.0	106.1	122.1	122.3	113.6	112.9
July	113.9	113.9	105.3	105.5	105.7	106.1	122.6	122.4	113.8	112.8
August	114.2	114.2	105.2	105.8	105.7	106.4	123.1	122.8	114.0	113.0
September	114.6	114.6*	105.4	106.4*	106.1	106.7*	123.5	123.2*	114.2	113.2*
October	115.0	115.0	105.8	106.7	106.5	106.8	124.0	123.6	114.5	113.4
November	115.4	115.4	106.0	106.9	106.9	107.0	124.5	124.0	114.8	113.7
December	115.8	115.7	106.0	107.1	107.3	107.2	125.0	124.5	115.1	114.0
January 1987	116.1	116.1	106.3	107.4	107.5	107.5	125.4	124.9	115.5	114.2
February	116.4	116.3	106.5	107.5	107.6	107.6	125.9	125.4	115.8	114.4
March	116.8	116.6	106.7	107.7	107.5	107.7	126.3	125.9	116.1	114.6
April	117.2	117.0	106.9	107.9	108.1	108.0	126.9	126.3	116.4	114.9
May	117.6	117.4	107.1	108.1	108.7	108.4	127.5	126.8	116.7	115.1
June	118.0	117.8	107.2	108.4	109.3	108.7	128.0	127.3	117.1	115.4
July	118.4	118.2	107.4	108.6	109.5	109.0	128.5	127.9	117.6	115.6
August	118.8	118.7	107.6	108.8	109.3	109.3	129.1	128.5	118.0	115.8
September	119.2	119.1	107.8	109.1	109.7	109.7	129.6	129.0	118.4	116.1

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore	C.E.
April 1986	-14.02	-12.07	178.5	178.5	4167	4161	3671	3660	19.6	19.6
May	-14.27	-14.21	178.8	177.9	4173	4175	3667	3656	2.8	6.7
June	-12.46	-14.17	179.2	177.5	4207	4191	3661	3660	-7.7	2.5
July	-13.66	-16.06	179.6	179.4	4218	4210	3677	3670	-1.3	9.4
August	-12.93	-13.32p	179.9	179.1	4235	4233	3686	3684	15.8	13.6
September	-13.88	-15.05*	180.3	179.3*	4244	4260	3684	3695	22.7	13.0
October	-13.59	-14.66	180.1	179.8	4271	4277	3698	3697	10.3	5.2
November	-13.22	-14.27	180.3	179.9	4293	4302	3707	3706	-7.6	1.3
December	-12.67	-14.06	180.6	179.6	4316	4322	3714	3713	-18.7	-2.7
January 1987	-13.78	-14.53	180.2	179.3	4342	4338	3727	3714	-7.8	-4.3
February	-13.11	-14.29	180.0	179.4	4363	4360	3735	3726	-5.1	-1.7
March	-12.65	-14.03	180.5	179.7	4384	4371	3741	3726	-3.0	0.5
April	-14.06	-13.78	180.2	180.0	4401	4390	3742	3730	-1.6	1.4
May	-12.93	-13.72	179.6	180.2	4418	4406	3744	3731	-1.4	-0.3
June	-13.01	-13.56	179.2	179.8	4435	4426	3746	3735	-2.4	-2.6
July	-14.93	-15.04	178.6	179.5	4454	4443	3749	3737	-5.3	-3.5
August	-13.02	-13.83	178.8	179.7	4474	4467	3757	3744	-6.7	-4.2
September	-12.24	-13.56	179.2	180.2	4494	4491	3764	3752	-8.1	-4.7

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